STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

John W. Betkoski III, Acting Chairman
Michael A. Caron, Acting Vice Chairman

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Public Hearing – February 26, 2019
Energy and Technology Committee

Testimony submitted by John W. Betkoski, Acting Chair, Public Utilities Regulatory Authority (PURA) and Michael Caron, Vice-Chair, PURA.

SB-889 - AN ACT CONCERNING THE PUBLIC UTILITIES REGULATORY AUTHORITY'S INVESTIGATION OF LOST AND UNACCOUNTED FOR GAS

PURA appreciates the Committee's willingness to raise this bill at the request of PURA and we welcome the opportunity to offer the following testimony in **support** of the bill.

The proposal seeks to make several changes to Conn. Gen. Stat. § 16-34a, which requires PURA to submit annual reports to the legislature regarding lost and unaccounted for gas (LAUF) and to initiate an investigation if a gas company's LAUF exceeds 3%. The bill would modify the requirement for PURA to initiate an investigation by focusing on the leaked gas component of LAUF and by lowering the investigation threshold from 3% to 1.5%. The proposal also makes an administrative change to allow LAUF to be calculated on a 12-month basis rather than on a calendar year basis.

To evaluate the proposed changes, it is important to understand that LAUF gas is an accounting concept and ratemaking tool, not an indicator of the amount of gas leaking from a distribution system. During an annual period, a difference will arise between the total metered amount of natural gas purchased from suppliers and the total metered amount delivered to customers. This difference is accounted for using the concept of LAUF gas. LAUF gas generally results from circumstances outside the control of the LDCs, including measurement inaccuracy, accounting differences, theft, venting, and damage to plant. PURA's most recent annual LAUF report (dated July 20, 2018) in Docket No. 18-03-28, 2018 PURA Report to the General Assembly Concerning Lost and Unaccounted for Gas provides a more detailed analysis of the various factors contributing to LAUF (the report is available at http://www.dpuc.state.ct.us/FINALDEC.NSF/2b40c6ef76b67c438525644800

692943/2b6eb54d6469ea7f852582d3005bd0c6?OpenDocument). LAUF gas reduces the LDCs' revenue and, therefore, is considered recoverable through the purchase gas adjustment (PGA) mechanism, unless PURA finds that the LAUF gas resulted from imprudent conduct of the gas company.

Gas leaking from the LDCs' distribution system raises important environmental concerns because methane is the principle component of natural gas and is a potent greenhouse gas. The LAUF gas metric is sometimes misinterpreted as the actual quantity of natural gas or methane leaked into the atmosphere from a gas distribution system. Although leaked gas is one component of LAUF gas, the primary contributors to LAUF gas are metering and accounting disparities which do not reflect actual quantities of gas escaping the distribution system. For example, the LDCs will periodically report negative LAUF gas numbers (i.e. the amount of gas delivered to customers exceeds the amount of gas put into the system over the 12-month period). Similar to "lost" gas, this "found" gas is the result of measurement accuracy and accounting factors. Consequently, LAUF gas is not a precise measure of actual methane emissions from the gas distribution system.

To address the legitimate concerns regarding leaked gas, PURA, in Docket No. 18-03-28, is currently revising the methodology by which LDCs are required to calculate and report LAUF gas to PURA, including implementing a uniform, research-based approach to estimating leaks from the distribution system. This will allow PURA to monitor the amount of leaked gas to determine if the LDCs' leak repair and pipeline replacement programs are effectively reducing the amount of leaked gas. The various stakeholders are welcomed to participate in this docket to provide input on the revised reporting methodology.

Under the proposed change, investigations of LAUF gas would be initiated based on the component of LAUF gas that relates specifically to gas leaking from the distribution system, rather than the entire LAUF gas concept. Currently, a substantial increase in leaked gas could potentially go uninvestigated if there are coincident reductions in the accounting and measurement components of LAUF gas. By focusing on the amount of leaked gas, PURA and the LDCs will be able to address the specific issue that has climate change implications. As a corollary to this change, PURA recommends reducing the threshold for investigation to 1.5%.

With regard to the change in the 12-month reporting period, Connecticut LDCs experience peak sales and delivery of natural gas during the winter months and lowest sales and delivery during the summer. However, Conn. Gen. Stat. §16-34a requires LAUF gas to be reported on a calendar year basis, which bifurcates the peak winter sales period, resulting in incomplete reconciliation

and causing unbilled gas to be a significant component of LAUF reporting. A 12-month period ending in the summer provides a more accurate LAUF calculation because it encompasses a full winter heating season which permits complete billing reconciliation over the peak winter period. Consequently, the unbilled gas component of the LAUF gas calculation is often nominal if a Summer-to-Summer period is used. The proposed change will lead to more accurate LAUF data, which will enable better policy decisions.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Nick Neeley at 860-827-2625 or Nicholas.Neeley@ct.gov.